

# Exhibit E

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**REPEAL OF THE TEN COMMANDMENTS: THE IMPACT ON  
THE OFFSHORE HEDGE FUND ADMINISTRATION  
INDUSTRY**

By Antoine Bernheim, Publisher

<b>Principal Third Party Administrators of Offshore Hedge Funds</b>		
	Market share by number of funds	Market share by net assets
Citco	23.5%	43.7%
MeesPierson	21.2%	16.9%
Hemisphere	9.6%	5.5%
Bank of Bermuda	7.9%	7.1%
IFA	7.7%	2.6%
Goldman Sachs	4.8%	4.4%
Trident	4.8%	1.6%
Furman Selz	4.8%	0.7%
Leeds Management	2.3%	2.7%
Butterfield	1.5%	0.7%
Others	11.9%	14.1%

*Source: Hedge Fund News proprietary research on over 1,000 offshore hedge funds with total reported capital of \$91 billion.*

The Taxpayer Relief Act signed into law on August 5, 1997 repeals the "ten commandments" effective December 31, 1997. These rules require a U.S. managed fund to have ten administrative functions performed at its offices outside the U.S. for the fund not to be subject to certain U.S. taxes on its U.S. source income. These functions include: 1. Communicating with shareholders; 2. Communicating with the general public; 3. Soliciting sales of the company's stock; 4. Accepting subscriptions of new shareholders; 5. Maintaining the principal corporate records and books; 6. Auditing the company's accounts; 7. Disbursing payments of dividends, legal fees, accounting fees and directors' fees; 8. Publishing or furnishing the offering and redemption price of the company's shares; 9.

Conducting shareholders' and directors' meetings; 10. Making redemptions of the company's stock. Adopted by the U.S. Treasury Department in 1968, the ten commandments single-handedly spawned the development of the offshore fund administration industry for U.S.-based hedge funds. The new law will make it possible for hedge funds to self-administer their offshore funds or to consider other on-shore alternatives. For the time being, the largest funds have decided to maintain their relationships with offshore administrators, primarily because of the sense that many foreign investors insist on keeping any trace of communications with them as far away as possible from the reach of U.S. authorities. The removal of an offshore administrator or a material change in the administration of a fund would often require a vote by shareholders. Newly-established offshore hedge funds are more likely to consider bringing the non-shareholder related work on-shore while keeping the shareholder registry and communications offshore. The U.S. offices of offshore administration companies could still play a significant role given their familiarity with the intricacies of offshore fund accounting. Several firms are gearing up their U.S. offices to service offshore funds as well as to offer administration services to domestic funds. The field had long been dominated by Citco, MeesPierson and The Bank of Bermuda, but new independent companies have made their mark in the last few years, such as Hemisphere Management, International Fund Administration (IFA) and Trident. More recently, Goldman Sachs and Furman Selz have captured a significant share of the business by offering offshore administration services out of the Cayman Islands and Dublin, respectively, to their prime broker clients. The arrival of new entrants has already changed the competitive environment with a positive impact for hedge fund managers and investors on fees and service quality. Many offshore administration companies provide services to a much wider market than U.S.-managed hedge funds, including international mutual fund administration, trust activities, corporate administration, private banking and custodian services. The impact of the upcoming changes will be limited for firms with a worldwide client base and a diversified line of products. However, the repeal of the ten commandments will open up further competitive pressures in offshore hedge fund administration and likely result in consolidation within the industry. There have already been transactions involving changes of ownership among companies such as Citco and Hemisphere and some M&A activity involving smaller companies. There are also talks of joint ventures between prime brokers and offshore administration companies to offer a "one-stop shopping" service. Over time, it can be anticipated that some jobs will be moved on-shore, but they will not be the thousands claimed by the proponents of the repeal. The Caribbean islands are critical to the industry because that is where most offshore hedge funds are domiciled: 44% of them are incorporated in the BVI, 29% in the Cayman, 13% in Bermuda, 8% in the Bahamas and 3% in the Netherlands Antilles. Most foreign investors will continue to insist on

investing through an offshore structure. However, just as administrative services are already offered through non-Caribbean locations such as Dublin, Luxembourg, Toronto and Amsterdam, the continental United States will become another option. □A.B

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